



Human Resources Division
P.O. Box 942718
Sacramento, CA 94229-2718
Telecommunications Device for the Deaf - 711
(916) 795-3065 FAX - (916) 795-4001

December 9, 2005

AGENDA ITEM 4

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

- I. SUBJECT:** Changes in Senior Portfolio Manager and Portfolio Manager Performance Plans
- II. PROGRAM:** Administration
- III. RECOMMENDATION:** This is an Information Item

IV. ANALYSIS:

The Chief Executive Officer (CEO) has been delegated the review of quarterly status reports and approval of changes in performance plans for Senior Portfolio Manager and Portfolio Manager positions. Changes are to be reported through the Performance and Compensation Committee to the Board.

The purpose of this item is to report changes that the Chief Investment Officer and the CEO have approved in the performance plans of six Portfolio Managers. None of the changes delays the completion of performance measures beyond the end of the fiscal year. The changes are summarized in the attachment to this item. In addition, non-substantive updates to benchmark designations have been made to correspond to State Street Bank benchmark name changes. These non-substantive revisions do not appear in the summary. There were no changes in the plans of the SPMs.

V. STRATEGIC PLAN:

Under Goal V of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VI. RESULTS/COSTS:

The establishment of incentive plan performance measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

Chris O'Brien, Chief
Human Resources Division

Gloria Moore Andrews
Deputy Executive Officer - Operations

Attachment

**Summary of Approved Changes in the Performance Plans
of Portfolio Managers**

First Quarter, 2005-2006 Fiscal Year

Position	Change and Reason
PM, Active Equity	Incentive schedule for Internal Active Equity Portfolios changed to delete unnecessary reference to “ <i>Annualized Basis</i> .”
PM, Corporate Governance	Corporate Governance Funds performance measure changed to accurately reflect that performance calculation is based on <i>invested</i> capital rather than <i>committed</i> capital.
PM, Currency & International Fixed Income	<ol style="list-style-type: none"> 1. Internal Sovereign performance measure deleted due to change in assignment 2. Domestic Fixed Income, Internal and Active International Fixed Income Managers measure weights changed to compensate for deletion of Internal Sovereign measure.
PM, Opportunistic Fixed Income	Incentive schedule for Credit Enhancement performance measure updated to reflect the change in focus on the program’s earnings rather than on volume.
PM, Passive Equity	<ol style="list-style-type: none"> 1. Performance measure benchmarks for Aggregate Return Deviation v. Benchmark factors changed to more clearly reflect their related portfolios. 2. Research and Development factor due dates updated to reflect new quarter.
PM, Quantitative Strategies	<ol style="list-style-type: none"> 1. Alternative Strategic Development factor added at supervisor’s request. 2. Global Equity (Internal Active Equity) factor weight reduced to compensate for addition of Alternative Strategic Development factor. 3. Risk Managed Absolute Return Strategies (RMARS) Program factor deleted due to redundancy with another quantitative measure of the RMARS program.